

THE CITY OF WICHITA



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July 18, 1986

Honorable Mayor and Members
of the City Commission
City of Wichita, Kansas

Dear Commission Members:

The preparation of the proposed 1987 budget was a most difficult task due to a reduction in available revenue and the continued increases in operational costs. It did, however, provide an opportunity to critically review the City's total financial picture and propose new approaches to providing public services.

As a result of this year's budget constraints created primarily by the loss of \$2.3 million in Federal Revenue Sharing and substantial reductions of over \$1.0 million in motor vehicle revenues, Staff was faced with the reality of either making major expenditure cuts or proposing significant increases in taxes to maintain current service levels. Because of the sluggish local economy, the impact of reductions in the local job market and the taxpayers' desire for government to hold-the-line on expenditures, the proposed budget reflects minimal increases to fund basic municipal services.

To effectively maintain and improve existing programs and services without a corresponding increase in taxes will present a unique opportunity and challenge to the governing body and its staff to manage with less and to effectuate needed changes. To meet these challenges, actions will be taken to restructure the delivery of public services, implement new methods, explore cost-reducing conservation measures and find better and more efficient ways of doing City business. In short, the proposed budget reflects the expectations of cutback management and holding the expenditure line.

The task before the City Commission is to review, evaluate and ultimately make the final decision regarding the proposed 1987 financial work plan. In its review, the City Commission should assess the City's ability and willingness to pay and the needs of the community to determine the fiscal policy which will best meet the City's short and long-term goals and objectives.



Decisions relative to: (1) what programs/services will be expanded, scaled down or terminated, (2) what departments will be asked to further sacrifice, (3) how to defer expenditures required to properly maintain the City's facilities and aging infrastructure, and (4) how best to allocate scarce resources without jeopardizing the City's quality of life are all sobering responsibilities that must be faced with this budget. It is hoped that the proposed budget and work plan will serve as a vehicle for focusing attention on services provided and the opportunities and challenges facing the City of Wichita.

THE 1987 BUDGET

The proposed **1987 budget** totals \$178,672,103, compared to the current 1986 budget of \$171,370,871, exclusive of Airport operations and sales tax expenditures for capital improvements. The differences are primarily the result of increases in personnel services, energy costs, debt service and programmed water and sewer utility improvements.

Proposed **General Fund** expenditures, which finance basic City services, reflect an increase of \$1,202,366, an increase of only 1.9 percent over the current 1986 budget. Much of this increase is attributable to energy costs, mandated cost increases such as the Fair Labor Standards Act, economic development support and other operational cost adjustments.

HIGHLIGHTS OF 1987 BUDGET

The budget being submitted to the City Commission for consideration is balanced; expenditure proposals are equal to available revenues. Should the Commission add services, other improvements or staff, additional resources will be required or other expenditure reductions made.

Highlights of the proposed 1987 budget:

- Continues current level of essential services...
- Absorbs loss of \$3.5 million from Federal Revenue Sharing and motor vehicle revenues...
- Increases tax rate by approximately one half mill (.595)...
- Reflects a Capital Improvement levy of 11.9 mills...
- Establishes \$1.2 million contingency and reserve fund...
- Allocates City share of \$250,000 for economic development support...

- ° Reduces motor vehicle fleet by ten (10%) percent (23 vehicles) resulting in savings of \$60,000 and establishes equipment replacement fund...
- ° Increases police services by adding thirteen (13) officers...
- ° Reduces air quality monitoring activities as a result of the County's withdrawal from participation...
- ° Establishes a ten (10%) percent reduction target for energy conservation...
- ° Implements cost savings through reorganization of departments involving public works, finance, community facilities and central maintenance...
- ° Reduces personnel allocations by 34, deleting fifty-three (53) positions and adding nineteen (19) positions...
- ° Reduces commodities expenditures by over \$100,000 from 1986 levels...
- ° Establishes an amount of \$1.5 million for adjustments in personnel costs...
- ° Provides for options to contract certain public services where savings can be identified...

Staffing Reductions

The proposed reduction in staffing levels was a painful decision but necessary to meet budgetary constraints. To reduce impacts, personnel holding these (deleted) positions will be considered for other positions where qualified; wherever possible, reductions will be accomplished through attrition. Department managers will be challenged to find outside funding assistance to maintain their staffing levels where program needs are justified.

Budget Exclusions

In formulating the proposed budget, over \$4.2 million had to be eliminated either by expenditure and service level reductions or by revenue increases. While many of the departmental requests were justified and would improve public service delivery, they could not be included because of the essential service demands and the necessity to balance the budget without a significant tax increase. A few of the major items not included in the budget include:

- ° Economic development revolving fund to provide reliable source to adequately promote Wichita, carry out action plan to assist existing business and recruit new industry, and provide services and infrastructure incentives that may be required.

- Internal auditing position to perform management analysis and review of existing procedures/practices, establishment of internal controls, ensuring compliance with all Federal contracts and control over fixed assets. (\$42,000)
- Public information and reporting program to provide information to residents relative to community services/facilities and actions (i.e.; City newsletter, specialized brochures, etc.), including expanded use of CATV Channel 2. (\$110,000)
- Staff trainer and equipment to carry out ongoing training programs to meet existing and future needs and ensure the effective use of the City's limited resources and maximize talent of employees dealing with various issues/problems. (\$50,000)
- Intergovernmental and lobbying fund to effectively implement information network between City and other governmental agencies and officials and improve legislative liaison efforts. (\$75,000)
- Management information network among all departments to provide more effective communications and exchange of documents, decision (data) support, centralized data storage to eliminate duplicate files storage, scheduling and paperwork/flow to improve administrative efficiency and response. (\$100,000)
- Risk management functions to focus on the City's insurance programs and coverages, loss control, contractual obligations, safety coordination and claims management. (\$60,000)
- Entrepreneur specialist to seek out funding for program development and implementation, assist in marketing City facilities to offset costs, evaluating private competition for contracting services and working with departments to implant business-like approaches to delivery of public services. (\$45,000)
- Expansion of street sweeping/cleaning activities to increase frequency of cleaning streets throughout the City and provide more timely response to "housekeeping" and ice control needs. (\$175,000)
- Automated pavement management system to inventory the City's 1,300 miles of streets and perform economic analysis forecasts of pavement deterioration, estimated cost of repair versus replacement and cost control analyses. (\$125,000)
- Weed abatement expansion to allow for more frequent mowing of public properties and allowing more timely compliance on private parcels. (\$85,000)
- Sanitation inspection program expansion to provide more frequent food, water and nuisance-type inspections and Code enforcement. (\$138,000)

- Dispatching personnel to more effectively meet increasing work load and training requirements, coverage for relief and meeting emergency communication commitments. (\$98,000)
- Human Resources supplemental funding to offset reductions in administrative expenses and allow for more grant applications for food service and jobs training programs. (\$96,000)

The above requests would improve the City's operations and provide a basis for future cost reductions and more effective services. The Commission may wish to discuss these and other programs/services for implementation.

REVENUES AND PROPERTY TAXES FOR 1987

The property tax is divided primarily among five taxing jurisdictions: City, County, State, School District and Wichita State University. For every dollar in property taxes paid, only 23.5¢ will be received by the City to support the many municipal services provided to Wichita residents.

PERCENTAGE OF PROPERTY TAX BY TAXING JURISDICTIONS

<u>Jurisdiction</u>	<u>1986</u> <u>Mill Levy</u>	<u>%</u>	<u>1987</u> <u>Mill Levy</u> *	<u>%</u>
Schools	70.593	55.6	73.896	56.0
University (WSU)	1.500	1.2	1.500	1.1
State	1.500	1.2	1.500	1.1
County	19.209	15.1	20.538	15.6
CITY	<u>34.008</u>	<u>26.8</u>	<u>34.603</u>	<u>26.2</u>
TOTAL	<u>126.810</u>	<u>100.0</u>	<u>132.037</u>	<u>100.0</u>

* Tentative

REQUIRED 1987 MILL LEVY

The mill levy required to finance the proposed 1987 budget is 34.603. This levy represents an increase of .595 from the current 1986 rate. The proposed mill levy is allocated as follows:

<u>Fund</u>	<u>1986</u>	<u>1987</u>
General Fund	4.417	4.700
Park, Library, Museum	6.833	7.547
Flood Control	.303	.410
Transit Authority	1.014	1.066
Employee Retirement	2.608	2.400
Social Security	1.318	1.301
Police/Fire Retirement	4.685	4.317
Workers Compensation	.521	.189
Debt Service	11.582	11.948
Public Building Commission	.343	.350
Noxious Weed Abatement	.059	.045
Tort Liability	.325	.330
Total Tax Levy (Mills)	<u>34.008</u>	<u>34.603</u>

The proposed mill levy represents a 1.7 percent increase compared to the current rate. Initial budget projections indicated a need to increase the tax levy by 4.2 mills to maintain current 1986 level of services and offset the loss of major revenue sources. Had the City not experienced the loss of Federal Revenue Sharing and reduced motor vehicle tax, the adjusted mill levy requirement to finance this proposed 1987 budget would reflect a decrease of 2.751 mills, or a total of 31.257 mills.

Effect of Local Sales Tax

One half of the sales tax collected is pledged to relieve the property tax levies of the City. In 1987, it is anticipated the City will receive \$11,787,500 toward the reduction of property tax requirements, or an equivalent of 12.060 mills. Without the sales tax offset, property tax required to finance the proposed 1987 expenditures would total 46.663 mills.

A comparison of mill levy requirements for the years 1981 through 1986 illustrates requirements with and without the sales tax credit.

<u>Year</u>	<u>Mill Levy W/O Sales Tax</u>	<u>Mill Levy W/Sales Tax</u>	<u>Mill Levy Offset by Sales Tax</u>
1981	42.192	--	--
1982	38.658	--	--
1983	38.744	--	--
1984	38.744	--	--
1985	42.740	--	--
1986	46.209	34.008	12.201
1987	46.663	34.603	12.060

Assessed Valuation

The projected assessed valuation used to compute the proposed tax rate is \$1,016,500,000 and is based on latest County estimates. (Assessed valuations may be adjusted prior to final budget adoption.) The 1986 valuation represents an increase of \$36,256,481, or 3.7 percent compared to last year's amount. The projected valuation amount is comprised of the following:

<u>Valuation</u>	<u>1985</u>	<u>1986</u>
Real Property	\$630,828,580	\$ 661,095,047
Personal Property	270,033,120	276,947,810
State Assessed	<u>79,381,819</u>	<u>78,457,143</u>
Total	\$980,243,519	\$1,016,500,000

The projected assessed valuation provides for a statutory tax limit of \$27,958,357 and applies to the General Fund, Flood Control, Park, Library and Art Museum (PLAM), and Transit Authority Funds. The proposed budget (without sales tax) provides for a required tax amount of \$25,849,463, or approximately \$2.1 million below the 1987 statutory tax limit.

Property Tax Requirement

The proposed 1987 property tax requirements total \$34,874,161 for all tax supported funds, compared with \$33,055,980 in the current year. The increase is attributed primarily to debt service requirements and operational needs in Parks and cultural activities created by the loss of Federal and Revenue Sharing. A breakdown of property tax requirements is reflected on Page 1 of the budget.

BUDGETED REVENUES AND EXPENDITURES

REVENUES: The proposed 1987 revenues of \$178,672,103, compared to 1986 estimated revenues of \$171,370,871, will be derived from the following sources:

SUMMARY OF REVENUES BY MAJOR SOURCE (ALL FUNDS)
(In Millions)

<u>Source</u>	1986		1987	
	<u>Amount</u> \$	<u>Percent</u> %	<u>Amount</u> \$	<u>Percent</u> %
Property Tax	32.7	19.1	34.3	19.2
Local Sales Tax	23.0	13.4	23.6	13.2
Vehicle/Gas Tax	15.4	9.0	14.7	8.2
Other Local Taxes	15.5	9.0	16.4	9.2
Franchise Fees	17.0	10.0	17.4	10.1
Utility Fees	28.9	16.8	32.6	18.2
Intergovernmental	10.7	6.2	9.8	5.4
Use of Fund Balance	10.9	6.4	11.5	6.4
Miscellaneous	<u>17.2</u>	<u>10.1</u>	<u>18.2</u>	<u>10.1</u>
Total Revenues	<u>\$171.3</u>	<u>100.0%</u>	<u>\$178.6</u>	<u>100.0%</u>

EXPENDITURES: The 1987 budget proposes total expenditures of \$178,672,103 in all funds. This compares with the adopted 1986 budgeted expenditures for the current year of \$171,370,871. A carry-over balance of \$11.5 million from the 1986 budget is planned for use in reducing the overall revenue requirements to fund the proposed budget. The following table summarizes the expenditures by category and percentage of the total proposed budget:

SUMMARY OF EXPENDITURES BY MAJOR CATEGORY (ALL FUNDS)
(In Millions)

<u>Category</u>	1986		1987	
	<u>Amount</u> \$	<u>Percent</u> %	<u>Amount</u> \$	<u>Percent</u> %
Personal Services	70.8	41.4	69.7	39.0
Contractual Services	21.1	12.3	21.0	11.8
Commodities Expense	9.2	5.3	8.9	5.0
Capital Outlay	4.6	2.7	3.5	1.9
Debt Service	45.2	26.3	49.8	27.8
Other	<u>20.5</u>	<u>12.0</u>	<u>25.7</u>	<u>14.5</u>
Total Expenditures	<u>\$171.3</u>	<u>100.0%</u>	<u>\$178.6</u>	<u>100.0%</u>

Personnel costs (salaries and fringe benefits), reflect a decrease of \$1,117,297 in the proposed budget. With reductions in staffing levels, personal services account for 39 percent of the total budget and 58.4 percent in the General budget. Negotiations are still in

progress with employee groups and the actual personnel costs are yet to be finalized. An amount of \$1.5 million has been projected in the proposed budget and reflects area wage settlements.

Increases in other operating expenditures in the proposed budget are due to rising costs of supplies/materials, utility charges, and other commodities and contractual services. Some of the major functions of the City which account for the largest expenditures in the proposed budget are:

<u>Functions</u>	<u>Percentage of Budget</u>
Public Safety	19.2%
Municipal Utilities	20.9%
Bonded Indebtedness	21.2%
Public Works	9.6%
Park, Library and Museum	6.2%

These functions account for over seventy-five percent (75%) of the proposed total expenditures in 1987 and represent major programs and services of the City.

General Fund

The property tax used to support the General Fund represents only 7.4 percent of total Fund revenues. Sales tax contributions, franchise fees and State shared revenues account for other major sources of income. A summary of 1987 projected revenues for the General Fund is \$62,332,808. This amount compares with the 1986 budget of \$61,130,442; or an increase of only 1.9 percent.

A summary of the General Fund expenditures (by category) follows:

	<u>1986 Budget</u>		<u>1987 Proposed</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
	\$	%	\$	%
Personal Services	35,750,315	58.4	36,409,645	58.4
Contractual Services	9,830,218	16.1	9,886,756	15.9
Commodities Expense	2,057,732	3.4	1,900,953	3.0
Capital Outlay	221,945	.4	421,322	.7
Other	<u>13,270,232</u>	<u>21.7</u>	<u>13,714,132</u>	<u>22.0</u>
Total	<u>\$61,130,442</u>	<u>100.0</u>	<u>\$62,332,808</u>	<u>100.0</u>

A detail listing of revenues and expenditures for the General Fund is shown on Pages 11-16.

EFFICIENCIES IN OPERATION

To continue to provide quality services and maintain stability in the City's taxing structure will require the commitment of all departments and the support of the governing body to reduce costs, increase productivity and find new revenue sources. The proposed budget sets the stage to focus on ways to reduce costs and do more with less. New and innovative management techniques must be developed and skillfully applied if the City is to continue to maintain responsive and reasonable costs for City services.

Increased efficiency through modification in the organizational structure of City government, purchase of labor-saving equipment and implementation of new, less costly methods to provide services, appear to be the only ways in which the City can substantially reduce or stabilize costs to keep City services within the desired budget limitations. Whether or not the citizens will support modification of current service levels and implementation of cost-saving measures remains to be seen.

A few of the areas proposed for study and/or implementation include:

Administrative

- (1) Utilize "loaned executives" from the business and education fields to provide managerial and technical talent as consultants to departments to assist in operational improvements and efficiencies.
- (2) Investigate establishment of a self-insurance and risk management program to reduce premium costs and provide broader protective coverages.
- (3) Review of existing Ordinances/Codes for current relevance and enforcement costs versus benefits/need.
- (4) Explore combining similar operations/functions where cost-savings can be realized and more responsiveness achieved, including:
 - Establishing public works department by combining all maintenance functions, including building and grounds, streets, parks, etc.
 - Evaluating the feasibility of merging inspectional-type activities (i.e.; building, housing, fire, environmental health, etc.).

- ° Studying long-range implications of merging such departmentalized functions as health and human services, public safety administration and related semi-autonomous board/commission activities.
- (5) Investigate the potential benefits of contracting for such services as laboratory analysis, photography, training, polygraph operation, ballistics testing, etc., in lieu of full-time staffing in City departments.
- (6) Develop short and long-range plan for management information system and implementation of efficient data processing system.
- (7) Initiate expanded legislative efforts at the legislature (and elsewhere) to promote and protect City interests.
- (8) Inventory all public lands and dispose of those parcels that are no longer needed for City use. The goal of this program is to rid the City of surplus property and increase the tax base.
- (9) Examine City's legal activities and organization to determine most responsive and cost-effective way to provide expert counseling, prosecution and litigation actions, including staffing and automation.
- (10) Evaluate cost-reduction measures in contractual operational expense, such as elevator maintenance, fire extinguisher, towing, refuse disposal and cash collections.
- (11) Implement evaluation of take-home vehicle policy to determine cost and necessity of such vehicle assignment.
- (12) Implement long-term energy conservation program, including co-generation, aimed at reducing energy costs as utility rates increase.
- (13) Institute limited management exchange program with select cities to allow designated personnel to work/study for specified period to gain exposure and experience in technology transfer.
- (14) Conduct evaluation of human service needs to determine City's role, responsibility and costs for assuming such needs as Federal and State assistance is reduced.

Operations

- (1) Establish orderly equipment replacement program utilizing smaller and more fuel-efficient vehicles and timely replacements to reduce maintenance costs.

- (2) Study the feasibility of consolidating laboratories (i.e.; police, utility, health, etc.) to determine if services can be expanded and costs reduced.
- (3) Initiate reforestation and beautification efforts to remove diseased trees and replace trees in parks, along streets and adjacent to public facilities on a programmed basis.
- (4) Evaluate specific services to determine most economical approach to service delivery (City departments to compete in cost proposals). Among some services to consider are:
 - Parking control
 - Street sweeping
 - Tree removal/trimming
 - Signalization maintenance
 - Water/sewer operations
 - Animal shelter/patrol
 - Recreational facilities
 - Buildings and grounds maintenance
 - Housing administration
 - Laboratory and photography service
 - Public facilities operation
 - Supplemental inspection services
 - Records management
 - Weed abatement
 - Employee training
- (5) Examine feasibility of a one-stop development review process to improve responsiveness and coordination of development, including plan reviews and permit issuance.
- (6) Establish safety program to ensure safe working environment and implement accident/injury prevention program.
- (7) Evaluate street lighting system costs to determine if the number of lighting fixtures can be reduced to decrease energy costs but still provide adequate illumination for safety purposes.
- (8) Explore feasibility of transferring public operation of various cultural facilities (i.e.; museum, Omnisphere, Botanica, etc.) to private trust or nonprofit groups (private-public partnership) to enhance the attractions and relieve tax support.
- (9) Initiate study of various facilities, including recreational facilities to determine current usage, operational costs and future funding potential.
- (10) Establish central microfilming center to increase document preservation, reduce storage and improve records management and retrieval.

- (11) Investigate feasibility and economies that may be achieved by establishing office services and secretarial pool to serve all City departments and reduce peak-level staffing and overtime costs.

Additional Revenue Considerations

To continue to maintain existing services and help offset demands on the property tax, more services should be financed (at least in part) by those special groups who benefit. The user-pay concept places the burden for the service directly on the "user," rather than being subsidized by the general public through property taxes.

In addition to those services currently funded by user/service fees (i.e.; Central Inspection, Municipal Court, etc.) some are recommended for adjustment, including:

- Animal control charges
- Police records/service
- Special events/service
- Facilities use charges
- Parking meters
- Alarm (false) responses
- Weed abatement services
- Parking citations and court fines
- Industrial development bonding fees
- Water/sewer connection charges
- Charging for after-hour, nonemergency service requests (to offset overtime costs)
- Restitution costs attributable to vandalism and property damage

In addition to making services more equitable, further attention should be paid to methods of increasing the public's use of selected services/facilities (marketing) to make them more self-supporting.

THE BUDGET PROCESS

The preparation of the proposed 1987 budget was the product of a team approach. For the first time, a Budget Review Cabinet was established to assist the Manager's Office in evaluating departmental requests and framing a budget within the established guidelines. The Cabinet, comprised of management representatives from various departments, reviewed each departmental submittal and made recommendations as to the final proposed budget.

In addition to gaining a broader perspective of the total City operation, management and supervisory personnel are better able to comprehend the inter-relationships, problems and service demands of the various departments. This process was established not only to assist

the Manager during his short tenure, but to foster an even better understanding of the City's fiscal operation and cooperative relationships among the departments, as well as reduce possible duplication of services and equipment to realize increased economies and efficiency in operations. Participation and involvement by City employees in preparing departmental budgets was encouraged.

Following receipt of the Budget Review Cabinet's recommendations, the Manager and Budget Office Staff reviewed all activity budgets and finalized the fiscal program to be recommended to the City Commission.

Controlling Expenditures

While the budget establishes appropriation and expenditure levels, adequate procedures to monitor expenditures and make modifications in light of changing policies or programs are required. The existence of a particular appropriation in the adopted budget does not automatically mean funds will be expended. Because of the time span between preparing, adopting the annual budget and the end of the budget year, as well as rapidly changing economic factors, each proposed expenditure will be reviewed prior to disbursement to ensure maximum utilization of available funds. These expenditure procedures also ensure compliance with City requirements and provide some degree of flexibility to modifying programs to meet changing needs.

During this and subsequent years, a regular and systematic analysis of City programs, adequacy of service levels and ways to improve efficiency and cost-effectiveness of operations, will be undertaken. As more constraints are placed on municipal operations, the need for an ongoing program of work load analysis and program evaluation becomes even more critical. It is anticipated that such analysis will help to ensure the efficiency and responsiveness of operations and detect areas that should be improved.

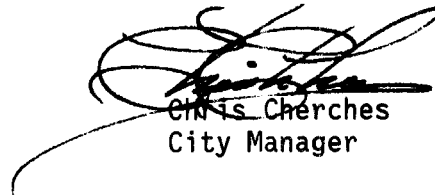
CONCLUSION

In general, the proposed budget for 1987 represents a belt-tightening approach in City financing. A continuation of existing programs is contemplated within available revenues. The Staff followed an economy philosophy in preparing the proposed budget with full realization that new methods, procedures and creative management skills will be required to provide expanded service levels.

The budget presented does not and cannot meet all the proposed needs desired by each department, board or commission, or allow for new programs or significant expansions. It does represent a critical need budget that continues 1986 essential service levels and makes a sincere effort to hold down costs consistent with the direction expressed by the City Commission. During your review, it is hoped that the needs of the City will be emphasized and the many programs

measured as to their adequacy and performance that you, as the elected representatives, feel best serve the citizens of the community.

Respectfully submitted,



Chris Cherches
City Manager

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Acknowledgments: Formulating and preparing a budget document of this kind is the result of countless hours of work by many individuals. The Budget Review Cabinet did an outstanding job in evaluating budget requests; department heads (and their Staffs) worked diligently and are commended for their efforts and for meeting the challenge of submitting a hold-the-line budget. Special thanks and appreciation is extended to the Budget Office Staff for their long hours, hard work and for maintaining a sense of humor throughout.